



At What Price Does Cenovus Energy (TSX:CVE) Stock Become an Attractive Buy?

Description

Following a great surge that saw the value of its shares gain as much as 60% between February and May earlier this year, stock in **Cenovus Energy** ([TSX:CVE](#)) ([NYSE:CVE](#)) has since given back a considerable amount of those gains, currently trading just 22% above its 52-week lows as of Friday's trading.

Is it time you thought about getting back in?

Maybe, but maybe not quite just yet in my Foolish opinion.

Frankly speaking, Cenovus seems to have a lot going for it right now, and if, for whatever reason, you've made the decision to hang in there and withstand the latest bout of volatility, I'd have to say I can't really blame you.

There are several reasons why I like Cenovus stock at present

For one, there's the \$17.7 billion purchase of its remaining 50% stake in the FCCL partnership that Cenovus had previously owned jointly with **ConocoPhillips** early in 2017.

As much as that deal was criticized by many a pundit when it was made, it's also a deal that stands to double Cenovus's production capacity, which is no small order by anyone's measure.

Increased production volumes should help to drive improved cash flows going forward and pave the way for successive increases to the company's current 1.72% dividend payout.

The bad news, though, is that narrative may take a little time to play itself out.

That's because as part of the FCCL purchase, Cenovus effectively doubled the value of debt it owes on its balance sheet, meaning the priority for the company at the present time is not its dividend, but rather the restoration of the company's financial flexibility.

Naturally, a sudden departure of a company's priorities is going to displease, even "rattle," some investors who have since parted ways with the CVE stock.

That type of displeasure can certainly be understood from the perspective of a retiree or investor in search of [current income streams](#) to supplement their current lifestyle.

However, if you happen to be someone who is not so constrained by such objectives — particularly younger investors who are motivated to max out the returns in their Tax-Free Savings Account (TFSA) — you may find yourself in the enviable position of being able to play the "long game," sacrificing a higher yield today in return for superior capital gains.

Capital gains in combination with future dividend increases can help you take advantage of the magic of compounded interest and the benefit of a longer time horizon.

It gets better...

But whether you're in search of growth or you're seeking income streams, there are other factors that make Cenovus such a potentially great investment today.

One is the simple fact that heading into this weekend's trading, CVE stock still trades considerably below its tangible book value — a very conservative measure of a company's worth often used by successful value investors like [Warren Buffett](#).

The other is the balanced nature of Cenovus's business model as one of Canada's leading integrated oil and gas companies.

Because Cenovus is not only involved in extracting oil and gas reserves from the ground and owns refining operations, it isn't nearly as vulnerable to wild fluctuations in oil prices, as, for example, **Crescent Point** or even **Baytex Energy** normally would be.

Bottom line

But the important question today is, exactly at what price is CVE stock a buy?

Since the middle of August, shares have broken down below their 200-day moving average, which is typically viewed as a "bearish" indicator. That should give at least a little reason for caution, particularly in light of the fact the stock been a precipitous decline since June.

But this is certainly one that I'll continue to follow closely over the coming days and weeks in hopes of finding an attractive entry point and hopefully riding CVE stock to fresh, new highs.

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